GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4728
ANSWERED ON:25.04.2008
NATIONALIZATION OF RURAL BANKS
Mondal Shri Abu Ayes

Will the Minister of FINANCE be pleased to state:

(a) the steps being taken by the Government to improve rural banking in the country;

(b) whether the Government has received any proposal from employees associations of rural bank to nationalize rural banks; and

(c) if so, the details thereof?

Answer

The Minister of State in the Ministry of Finance (Shri Pawan Kumar Bansal)

(a):- Government of India has taken the following major steps to improve rural banking:

1) Amalgamation of Regional Rural Banks (RRBs) sponsor bank-wise at State level. The amalgamated RRBs will provide better customer service due to better infrastructure, computerization of branches, pooling of experienced work force, common publicity and marketing efforts etc. They will also reap benefits of a large area of operation and enhanced credit exposure limits.

2) Recapitalization of weak RRBs in a phased manner.

3) Branch expansion of RRBs with a view to provide banking services in the uncovered areas.

4) Expansion of non-fund based business activities such as sale of insurance policies, disbursement of pension, salaries etc. and handling of government business to increase income generation.

5) Opening of 'no-frill' accounts with low or minimum balance.

6) Permitting RRBs to accept Foreign Currency Non-Residents (FCNR) Deposits.

7) Allowing consortium lending to RRBs.

(b) and (c):- Representations have been received from various quarters including employees associations giving a number of suggestions like de-linking RRBs from sponsor banks, amalgamation of RRBs to State/Zonal entities under an apex umbrella i.e. National Rural Bank of India etc.